

CENTRAL INTELLIGENCE AGENCY
WASHINGTON 25, D. C.

6 NOV 1958

MEMORANDUM FOR: Director, Office of Intelligence Research and
Analysis
Department of State

ATTENTION: Mr. John G. Oliver

SUBJECT: Office of Secretary of Defense Suggestion for
Reimposition of Trade Controls

1. I have discussed with [REDACTED] the following which is in response to your request for an ORR re-
action to the memorandum from Acting Secretary of Defense Quarles
suggesting that certain multilateral embargoes be reimposed against
Communist China. (b)(1) (b)(3)

2. The controls proposed in the OSD memorandum would, we feel,
in no way deter the present level of activity in the Taiwan Strait.
The disposition of forces in being and of supplies accumulated through
earlier Russian shipments of military equipment are more than suf-
ficient to sustain the present or higher level of activity in this
area for some time to come.

3. It is of course possible that a high level of Communist
Chinese air activity in the Taiwan area might be reduced to some
extent in the future by an effective restriction of tanker tonnage
available to Communist China. China's present demand for petroleum
fuels apparently exceeds the capability for overland supply from
the USSR; the bottleneck is principally the Chinese rail system.
On the other hand, even if seaborne shipments of POL are interdicted,
a fairly modest reallocation of existing supplies would permit the
support of such limited action as that in the Taiwan Straits.

4. Because of limited capability of overland supply, any
significant increase in present levels of China's demand for petroleum
will require either charter of Western tankers or the employment of
Soviet tankers. Even in this case it should be pointed out that the
numbers of tankers required would not be great. For example, the

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DEA	FEMA	HOUSE
SENATE	TREAS	DOE
DSWA	NASA	NRG
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estimated probable movement of 200,000 tons of Soviet petroleum to China by sea in 1958 could have been moved in only four Soviet tankers. Of the total of 92 ships in the Soviet tanker fleet, 40-50 of them are of the type required for such voyages.

5. We think it is important to emphasize that the partial embargo of selected strategic goods could be expected to have no significant impact on Communist Chinese military effectiveness. In a controlled economy the size of Communist China's, particularly when backed by the combined economies of the rest of the Bloc, the inconvenience resulting from selected trade controls such as those proposed could be easily accommodated. The Chinese military build-up depends rather on: (1) Chinese decision to divert domestic economic resources away from other programs to defense, and (2) Russian willingness to augment Chinese resources by unrequited exports of Soviet strategic supplies. ///

6. The Chinese economy although growing rapidly is still relatively underdeveloped by Western standards. Nevertheless, the rate of accretion to Chinese military strength has been considerable in the past few years and may be expected to grow with increased Chinese industrial growth.


Acting Assistant Director
Research and Reports

(b)(1)
(b)(3)

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